

DEPOSITORY INSTITUTIONS

Name _____

Date _____

Class _____

	Total Points Earned
45	Total Points Possible
	Percentage

DEPOSITORY INSTITUTION—business which offers multiple services in banking and finance



Reasons why individuals use a depository institution:



Reasons why individuals may not use a depository institution:

FEDERAL RESERVE BANK -

Services include:

Which Federal Reserve Bank is located in your region?



TYPES OF DEPOSITORY INSTITUTIONS and their definitions are?



Customers who can bank at these institutions:

An example in my community is:

Commercial Banks -

Credit Unions -

Savings and Loan Associations -

FDIC means?

Depository institution insured:

Depository institution insured:

Depositors are insured for up to what amount?

INSURANCE is important because?

NCUA means?

Depository institution insured:



INTEREST IS:

Interest rate is:

Interest rates vary, but are typically the best for consumers at which type of depository institution?

SERVICES WHICH MAY BE OFFERED AT A DEPOSITORY INSTITUTION



Checking account

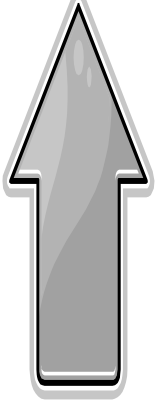


Savings account

At credit unions this is called a:

At credit unions this is called a:

INTEREST BEARING ACCOUNTS
 (money is earned by the consumer)

Higher

 Lower

Stock


Certificate of Deposit

At a credit union:

Money Market Account

Bond

INTEREST BEARING ACCOUNTS
 (money is paid by the consumer)

Higher

 Lower


Credit Card

Loan

Mortgage

Personal

ADDITIONAL SERVICES
 Which may or may not be offered depending upon the institution

Safe Deposit Box
 

Financial Counseling

DEPOSITORY INSTITUTIONS SERVICES

	Total Points Earned
Varies	Total Points Possible
	Percentage

Name _____

Date _____

Class _____

Directions: As a group, select a depository institution within the assigned category to research. Conduct internet research or phone calls to determine the services and the typical interest rates available. During class discussion, complete the remainder of the chart with information presented by the other groups.

Statement	Commercial Bank	Savings & Loan Association	Credit Union <i>The common bond required at the institution is?</i>
Depository Institution Researched			
Insurance			
Insured by the NCUA			
Insured by the FDIC			
Services offered			
<i>Average interest rates for consumers</i>			
Checking or share draft accounts • Interest rate (if applicable)			
Savings or share accounts • Interest rate			
Stocks • Average interest rate earned			
Certificate of deposit • Average interest rate for a 1 year CD • Average interest rate for a 3 year CD • Average interest rate for a 5 year CD			
Money market account • Interest rate			
Bond (20 year) • Interest rate			
Credit card • Interest rate			
Loan • Mortgage interest rate • Vehicle interest rate			
Safety deposit box • Fee (if applicable)			
Financial counseling			

Identify two things about the services or bank that consumers should know which was learned in the interview.

DEPOSITORY INSTITUTIONS SCENARIOS

	Total Points Earned
21	Total Points Possible
	Percentage

Name_____

Date_____

Class_____

Directions: For each of the scenarios, identify 5 services or characteristics of a depository institution which would be important to the individual. Then, reference the *Depository Institutions Services* worksheet 1.7.3.A2 to determine which depository institution would be best and why.

1. Tom has just graduated from college and received a job offer. He would like to begin saving money for retirement and a home in an interest bearing account. However, Tom does not know which types of accounts are best and needs some counseling.

5 services or characteristics that would be important	Institution selected	Why?
1.		
2.		
3.		
4.		
5.		

2. Mia is about to go to college. She wants to keep the current depository institution she is using which offers a free checking account and interest bearing savings account. Mia also needs to purchase a car soon for school.

5 services or characteristics that would be important	Institution selected	Why?
1.		
2.		
3.		
4.		
5.		

3. Identify the characteristics or services which would be important to you personally when selecting a depository institution.

5 services or characteristics that would be important	Institution selected	Why?
1.		
2.		
3.		
4.		
5.		

DEPOSITORY INSTITUTIONS

	Total Points Earned
18	Total Points Possible
	Percentage

Name _____

Date _____

Class _____

Directions: Match the following terms with the statements below. Each question is worth 1 point.

- ____ 1. Full- service institutions because they offer a wide variety of services.
- ____ 2. A term that is used to determine which party should be responsible for damage occurring to products after a service transaction has been completed, but prior to delivery.
- ____ 3. The amount of money that is either gained or lost when accessing services offered by a depository institution.
- ____ 4. These are non- profit cooperative institutions owned by their members.
- ____ 5. The percentage used annually to calculate the total interest either gained or lost from an account supplied by a depository institution.
- ____ 6. Business which offers multiple services in banking and finance.
- ____ 7. Part of the central banking system in the United States.
- ____ 8. Primary focus is providing loans and mortgages to customers.

- A. Commercial Bank
- B. Interest
- C. Depository Institutions
- D. Risk of Loss
- E. Federal Reserve Bank
- F. Interest Rate
- G. Credit Union
- H. Savings and Loan Association

Directions: Read the following questions and fill in the blank with a short answer. Each question is worth 1 point.

9. A federal government agency which insures federal chartered banks and savings and loans against loss is the _____.
10. The _____ provides insurance protection for credit unions.
11. _____ are ownership, represented by shares in a corporation.

Directions: Define each of the following terms: Each question is worth 1 point.

12. Loan –

13. Mortgage –

14. Savings Account –

Directions: Circle True or False for the following statements. Each question is worth 1 point.

15. T or F A share account is also known as a checking account
16. T or F Financial counseling is information and advice given to customers to help them make financial decisions.
17. T or F A commitment of money through lending money to a business or the government to achieve long-term financial goals by earning interest is also known as an investment.
18. T or F A share draft account is also known as a checking account.

DEPOSITORY INSTITUTIONS

Information on Depository Institutions & Services

INTRODUCTION

Consumers have the option to use a depository institution to manage their finances. However, approximately 10 million households in America choose to not use depository institutions.¹ Consumers have indicated that primary reasons for making this choice include banking fees being too high, minimum balances required are too high, and they want to keep their financial information private. If consumers decide to use a depository institution, they will benefit the most by conducting research first.¹

DEPOSITORY INSTITUTIONS

An important element in money management is choosing the correct depository institution to meet an individual's needs. **Depository institutions** are businesses which offer multiple services in banking and finance. These institutions include commercial banks, savings and loans, and credit unions. The services customers receive may include savings and checking accounts, loans, investments, and financial counseling. Depository institutions are regulated by state and federal agencies. There are many different depository institutions available to consumers. Each offers a variety of services to best meet an individual's needs.

FEDERAL RESERVE BANK

The **Federal Reserve Bank** is a part of the central banking system in the United States. A goal of each Federal Reserve Bank is to control the amount of money and credit available to the public. The Federal Reserve Banks occupy twelve regional locations in major cities throughout the United States. They provide essential services to depository institutions including collecting checks, electronically transferring funds, and distributing and receiving cash and coin. Additionally, the Federal Reserve Banks act as banks to the federal government by providing depository services to the United States Department of Treasury.²

COMMERCIAL BANKS

Commercial banks are often called full service institutions because they offer a wide variety of services, including checking and savings accounts, loans, credit cards, investments, and financial counseling. They operate under state, and federal laws and usually are the largest depository institutions. Depository institutions are open to all individuals within a community.



CREDIT UNIONS

Credit unions are non-profit cooperative institutions that often charge lower fees and loan rates than other depository institutions. They are owned by their members. Government regulatory agencies require credit union members to possess a common bond such as people who live, work, or attend school in a well defined geographical area. Many credit unions offer financial counseling, credit cards, and mortgages. They often provide a higher interest rate on savings and checking accounts than commercial banks. Credit union accounts offer unique services such as share drafts (checking accounts), and share certificate accounts (savings accounts).

SAVINGS AND LOAN ASSOCIATIONS (S&Ls)

Savings and loan associations (S&Ls) focus on providing loans and mortgages to customers as well as offering both savings accounts and checking accounts. Compared to commercial banks, the interest rates are often higher.

RISK OF LOSS

A feature of depository institutions that consumers should be aware of is insurance. If the institution is insured, it will be posted in view for the customer to see. Depository institutions should be insured to protect consumers against loss. The **risk of loss** is a term that is used to determine which party should be responsible for damage occurring to products after a service transaction has been completed but prior to delivery. Depository institutions are insured by one of the following:

- ★ **Federal Deposit Insurance Corporation (FDIC)** is a federal government agency which insures federally chartered commercial banks and savings and loan associations against loss. Each depositor is insured up to at least \$250,000 for money deposited in a regular account and up to \$250,000 for qualified retirement deposits. Under the Federal Deposit Insurance Act of 2005, the former commercial bank insurance and savings and loan association insurance programs were merged under one program called the Deposit Insurance Fund.³
- ★ **National Credit Union Administration (NCUA)** provides insurance protection for credit unions. Each depositor is insured up to at least \$250,000 on regular deposit accounts and up to \$250,000 for retirement savings plans that qualify.⁴



INTEREST

For the consumer, depository institutions differ from one another about services offered and their interest rates. **Interest** is the amount of money that is either gained or lost when accessing services offered by a depository institution. There are two types of interest. **Interest bearing accounts** either charge the consumer interest for money borrowed or earn interest for the consumer in a savings account or other investment instrument. The **interest rate** is the percentage used annually to calculate the total interest either gained or lost from an account supplied by a depository institution.

COMMON SERVICES

- ★ **Checking account (share draft account at a credit union)**—Paper checks or debit cards that are used to withdraw money deposited into the account to pay for purchases of goods and services. They may be interest or non-interest earning.
- ★ **Savings account (share account at a credit union)**—An account in which money normally is deposited to earn interest. They are interest earning.

INTEREST BEARING ACCOUNTS

- ★ **Stock**—Ownership, represented by shares in a corporation.
- ★ **Certificate of deposit (share certificate account at a credit union)**—An insured interest-earning savings instrument with restricted access to the funds.
- ★ **Money market account**—An account which offers higher interest rates than a savings account and may offer limited check writing privileges.
- ★ **Bond**—A debt instrument issued by an organization designed as an investment for the purchaser to earn interest.

INTEREST BEARING ACCOUNTS

- ★ **Credit Card**—A card used to make a purchase now, with repayment made later without interest (if the balance is paid before the grace period ends) or requiring the payment of interest (if the balance is paid after the grace period ends).
- ★ **Loan**—Money borrowed and paid back with interest. Loans can be a mortgage for a person to buy property such as a home or personal for items such as a vehicle or school.

ADDITIONAL SERVICES OFFERED

- ★ **Safe-Deposit Box**—A secured box in a depository institution to be used for valuable and important personal items.
- ★ **Financial Counseling**—Information and advice is given to customers to help them make financial decisions.